

Message Text

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ACTION NEA-10

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FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 4478

AMEMBASSY ISLAMABAD

AMEMBASSY KABUL

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AMEMBASSY ABU DHABI

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AMEMBASSY KATHMANDU

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AMEMBASSY MANAMA

AMEMBASSY MUSCAT

C O N F I D E N T I A L SECTION 1 OF 2 NEW DELHI 13686

LIMDIS

R. O. 11652: GDS

TAGS: PFOR, IN, IR

SUBJECT: INDO-IRANIAN RELATIONS: AN ASSESSMENT ON THE
EVE OF THE SECRETARY'S VISIT

REF: NEW DELHI 12185, OCTOBER 19, 1973

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SUMMARY: THE SHAH'S VISIT TO DELHI IN EARLY OCTOBER CAPPED

A YEAR OF DRAMATIC IMPROVEMENT IN INDO-IRANIAN RELATIONS. INDIA, WHILE STILL WARY OF IRAN'S MILITARY POSER, IS REASSURED ABOUT IRANIAN INTENTIONS AND BELIEVES IT HAS REASSURED ITRAN ABOUT ITS OWN. THE TWO COUNTRIES HAVE ACHIEVED A MEASURE OF AGREEMENT ABOUT THE INDIAN OCEAN, PERSIAN GULF, AND NUCLEAR COOPERATION. ECONOMICALLY, INDIA IS GETTING SOME OIL ON DEFERRED-PAYMENT TERMS AND HAS GOTTEN AGREEMENT IN PRINCIPLE TO SUBSTANTIAL IRANIAN INVESTMENT IN INDIA. INDIAN EXPECTATIONS ABOUT THE FUTURE MAY BE TOO HIGH IN BOTH THE ECONOMIC AND POLITICAL SPHERES, BUT AT A MINIMUM THE RELATIONSHIP HAS CHANGED FROM ONE OF DISTANT HOSTILITY TO ONE OF LIMITED COOPERATION. THIS IS PART OF A GENERAL SOFTENING OF THE LINES OF ALLIANCE IN THE AREA. END SUMMARY.

1. THE SHAH'S OCTOBER 2-4 VISIT TO NEW DELHI PRODUCED A ROYAL WELCOME BUT NO FORMAL AGREEMENTS. THERE WERE NO TALKS BELOW THE LEVEL OF THE PRIME MINISTER AND THE FOREIGN MINISTER, AND NOTHING IS AVAILABLE ON THESE. THE COMMUNIQUE ADDED LITTLE TO THE ONE ISSUED AFTER MRS. GANDHI'S VISIT TO TEHRAN IN MAY. EVEN SO, THE SHAH'S VISIT SYMBOLIZED THE GENUINE IMPROVEMENT IN INDO-IRANIAN RELATIONS OVER THE PAST YEAR.

2. PAKISTAN: THE INDIAN ASSESSMENT OF IRAN'S RELATIONSHIP WITH PAKISTAN HAS CHANGED RADICALLY. THE SHAH IS NOW SEEN AS FAVORING STABILITY IN THE SUBCONTINENT. INDIA ACCEPTS HIS ASSURANCE, REPEATED AT HIS PRESS CONFERENCE IN DELHI, THAT IRAN WILL NOT HELP PAKISTAN IF IT ATTACKS INDIA. FOR ITS PART, INDIA BELIEVES IT HAS NOW PERSUADED IRAN THAT IT TOO WANTS STABILITY AND DOES NOT HAVE DESIGNS ON PAKISTAN. THE SHAH'S ACCEPTANCE OF INDIA AS A FRIEND REINFORCES INDIA'S CONVICTION THAT HE WILL LIMIT HIS ASSISTANCE TO PAKISTAN. ALSO, BECAUSE OF THE SHAH'S NEW-FOUND FRIENDSHIP FOR AFGHANISTAN, INDIA SEES IRAN AS NOW MOTIVATED TO USE ITS GOOD RELATIONS AND ECONOMIC CLOUT TO IMPROVE PAKISTAN-AFGHANISTAN RELATIONS. SOME INDIANS EVEN GO SO FAR AS TO SUGGEST THAT, IN SPITE OF THE HELICOPTER LOAN, IRAN NOW FAVORS A "POLITICAL" SOLUTION IN PAKISTANI BALUCHISTAN. AS A RESULT OF THESE CHANGED PERCEPTIONS-- AND BECAUSE INDIA NOW NEED IRANIAN HELP--IT APPARENTLY IS PREPARED NOT TO PROTEST LIMITED IRANIAN MILITARY

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HELP TO PAKISTAN SO LONG AS THIS DOES NOT RESULT IN A SUBSTANTIAL INCREASE IN PAKISTAN'S CAPABILITY AGAINST INDIA. THE LOAN OF THE 10 HELICOPTERS PRODUCED MINIMAL PRESS REACTION HERE, FOR EXAMPLE. THE INDIAN REACTION TO SPECIFIC CENTO ACTIVITIES WILL PROVIDE A FURTHER INSIGHT INTO THE NATURE OF THE NEW INDO-IRANIAN RELATIONSHIP.

3. THE INDIAN OCEAN AND THE PERSIAN GULF: ALTHOUGH THE

TWO COUNTRIES DIFFER ABOUT THEIR ESTIMATE OF THE IMPORTANCE OF THE SOVIET PRESENCE IN THE INDIAN OCEAN, THEY HAVE BEEN ABLE TO EVOLVE A MEASURE OF AGREEMENT ON THE LONG-TERM DESIRABILITY OF GETTING BOTH SUPERPOWERS OUT OF THE INDIAN OCEAN. ALSO, INDIA HAS BY IMPLICATION RECOGNIZED IRAN'S "SHERE" IN THE PERSIAN GULF. THIS, WHILE INDIA SEEKS TO IMPROVE ITS OWN POSITION IN THAT AREA, IT HAS NO MILITARY INVOLVEMENT THERE (EXCEPT WITH IRAQ) AND HAS KEPT SCRUPULOUSLY QUIET ABOUT IRAN'S SUPPORT FOR THE SULTAN AGAINST THE REBELS IN OMAN. THE INDIAN NAVY AND ARMY EXCHANGE PROTOCOL VISITS WITH IRAN, BUT THEIR MAIN OPERATIONAL AREAS REMAIN SEPARATE.

4. IRAQ: INDIA HAS AN OLD RELATIONSHIP WITH IRAQ WHICH IT WILL NO MORE GIVE UP THAN WILL IRAN GIVE UP ITS RELATIONSHIP WITH PAKISTAN. MILITARILY, HOWEVER, INDIAN INVOLVEMENT IN IRAQ IS LIMITED, AND ECONOMICALLY IRAQ IS NO MATCH FOR IRAN FOR INDIA'S INTEREST.

5. NUCLEAR MATTERS: IRAN HAS NOT CRITICIZED THE INDIAN NUCLEAR BLAST. IN THE COMMUNIQUE THE SHAH BOWED IN MRS. GANDHI'S DIRECTION BY AGREEING TO THE "IMPORTANCE... OF ENSURING THAT ACCESS TO NUCLEAR TECHNOLOGY FOR PEACEFUL PURPOSES DOES NOT REMAIN CONFINED TO A FEW COUNTRIES." MRS. GANDHI IN TURN LECT HER SUPPORT FOR THE SHAH'S PROPOSED MIDDLE EAST NUCLEAR FREE ZONE. BILATERALLY THERE MAY ALSO BE ROOM FOR SOME COOPERATION. INDIA APPEARS TO HOPE TO GET SOME SUBCONTRACTS OUT OF THE SHAH'S AMBITIOUS PROGRAM FOR CONSTRUCTION OF NUCLEAR POWER PLANTS.

6. ECONOMIC RELATIONS: INDIA COUNTS ON IRANIAN ASSISTANCE TO HELP CARRY IT THROUGH THE CRISIS CREATED BY HIGHER OIL PRICES AND LOWER AGRICULTURAL PRODUCTION. INDIA DOESN'T CRITICIZE OPEC TACTICS. INSTEAD, IT WELCOMES IRANIAN
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INTEREST IN SELF-LIQUIDATING PROJECTS, WHICH ENABLE INDIA TO REPAY IRANIAN LARGESSE THROUGH EXPORTS TO IRAN. THE SHAH'S VISIT HAS FURTHER RAISED INDIAN EXPECTATIONS, EVEN THOUGH IT WILL TAKE YEARS FOR THE MAJOR PROJECTS TO GET UNDER WAY, AND INDIA'S ABILITY TO EXPAND ITS EXPORTS TO IRAN IS LIMITED.

7. OIL: THE INDIANS WERE UNDOUBTEDLY DISAPPOINTED BY THE SHAH'S INSISTENCE ON A UNIFORM OIL PRICE. BUT IRAN MAY PROVIDE AN EXTRA 1 MILLION TONS NEXT YEAR AGAIN ON DEFERRED AND SOFT-PAYMENT TERMS, WHICH EFFECTIVELY LOWERS THE PRICE. THAT WOULD BE IN ADDITION TO THE 2.5 MILLION TONS ALREADY SUPPLIED FOR THE MADRAS REFINERY.

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ACTION NEA-10

INFO OCT-01 EUR-08 ISO-00 SS-20 NSC-05 NSCE-00 CIAE-00

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FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 4479

AMEMBASSY ISLAMABAD

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8. MAJOR PROJECTS: THE JOINT COMMUNIQUE NOTED THAT "CON-SODERABLE PROGRESS" HAS BEEN MADE IN DEVELOPMENT OF THE KUDRE-MUKH IRON OR DEPOSITS AND THE ALUMINA AND JOINT SHIPPING LINE PROJECTS. IT ALSO MENTIONED POSSIBLE IRANIAN INVESTMENT IN NEW PAPER-MAKING CAPACITY FOR EXPORT TO IRAN. NO DETAILED AGREEMENTS HAVE BEEN SIGNED ON ANY OF THESE PROJECTS, HOWEVER, AND FOREIGN MINISTRY SOURCES DOUBT ANY OF THE MINIG OR INDUSTRIAL PROJECTS WILL GO ON STREAM IN LESS THAN FIVE YEARS. THE CHAIRMAN OF THE SHIPPING CORPORATION OF INDIA,
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ADMIRAL NANDA, IS CURRENTLY IN TEHRAN DISCUSSING THE JOINT SHIPPING LINE, WHICH WOULD EASE THE DISTRIBUTION BOTTLENECKS INVOLVED IN EXPORTING TO IRAN.

9. EXPANSION OF INDIAN EXPORTS: INDIA HOPES TO INCREASE GREATLY EXPORT OF COMMODITIES SUCH AS STEEL, PREMIUM QUALITY RICE, TEXTILES, CHEMICALS, RAILWAY EQUIPMENT, SUGAR AND CEMENT TO IRAN. IT HAS ALREADY AGREED TO SUPPLY IRAN WITH 300,000 TONS OF CEMENT IN 1974 AND 500,000 TONS IN 1975. ALTHOUGH THERE IS CONSIDERABLE PRESS SPECULATION THE INDIAN EXPORTS TO IRAN CAN RISE TO AN ANNUAL LEVEL OF \$150 MILLION A YEAR OR MORE, COMMERCE MINISTRY SOURCES BELIEVE THAT SERIOUS DOMESTIC SHORTAGES WILL PREVENT LARGE EXPORTS TO IRAN FOR YEARS TO COME. INDIA'S CEMENT EXPORTS ALREADY ARE AT THE EXPENSE OF INDIAN CONSUMERS, AND THE SAME THING COULD HAPPEN WITH SUGAR. CLEARLY, THERE IS A POINT BEYOND WHICH IT WILL BE DIFFICULT FOR THE GOI TO LIMIT DOMESTIC CONSUMPTION. THE SOLUTION, IN INDIAN EYES, IS TO OBTAIN IRANIAN ASSISTANCE TO REMOVE BOTTLENECKS AND PERMIT EXPANDED EXPORT WHILE MAINTAINING DOMESTIC CONSUMPTION. IN SOME AREAS E.G., CEMENT) FULFILLMENT WOULD INVOLVE LARGE-SCALE INVESTMENT IN EQUIPMENT AND PLANT CONSTRUCTION. IN OTHER AREAS INDIA MAY WANT IRAN TO FINANCE INDIAN IMPORTS OF CERTAIN RAW MATERIAL INPUTS. FOREIGN MINISTRY SOURCES NOTED THAT THERE WOULD HAVE TO BE AN ESCALATOR CLAUSE IN DEALS FOR IRANIAN EXPORT-LINKED FINANCING TO AVOID INDIA'S BEING LOCKED INTO ARTIFICIALLY LOW EXPORT PRICES. FROM PAST EXPERIENCE, IRANIANS ARE SKEPTICAL ABOUT THE ABILITY OF INDIAN EXPORTERS TO DELIVER THE GOODS ON TIME, AND WE BELIEVE THAT THE IRANIANS WILL EXAMINE EACH PROJECT CLOSELY BEFORE PUTTING UP ANY CASH.

10. INDIAN EXPERTISE AND TECHNICAL ASSISTANCE: INDIA HOPES IRAN WILL USE INDIAN CONSULTING SERVICES FOR POWER AND IRRIGATION PROJECTS (FOUR TURNKEY POWER PLANTS HAVE BEEN MENTIONED) AND TO IMPROVE THE IRANIAN FISHING INDUSTRY. IRAN ALREADY HAS ABOUT 2,000 STUDENTS IN INDIA AND HAS REQUESTED TRAINING ASSISTANCE AS WELL. IT ALSO WANTS INDIAN TECHNICIANS, DOCTORS AND NURSES TO WORK IN IRAN. (THE "BRAIN DRAIN" OF DOCTORS AND NURSES RAISES PROBLEMS IN INDIA, AND THE GOI IS CONSIDERING RESTRICTIONS ON DEPARTURE OF AT LEAST THOSE

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MEDICAL PERSONNEL IT EMPLOYS DIRECTLY.)

11. INDIAN OCEAN ECONOMIC COOPERATION: THE SHAH HAS HAD

NO TROUBLE GETTING INDIAN SUPPORT FOR HIS VAGUE CONCEPT OF ECONOMIC AND CULTURAL COOPERATION AMONG THE LITTORAL COUNTRIES OF THE INDIAN OCEAN. THIS MESHES NICELY WITH THE INDIAN RESPONSE TO THE SOVIET PROPOSAL FOR ASIAN COLLECTIVE SECURITY, WHICH HAS BEEN TO EMPHASIZE THAT THE ASIAN COUNTRIES MUST DECIDE SUCH MATTERS AND TO HIGHLIGHT THE ECONOMIC BENEFITS FROM ASIAN COOPERATION. ALSO INDIA WOULD APPRECIATE IRANIAN SUPPORT FOR REOPENING TRADE BY LAND ACROSS PAKISTAN TO AFGHANISTAN, AS WELL AS FOR GENERAL ECONOMIC COOPERATION BETWEEN INDIA AND PAKISTAN. FINALLY, INDIA SEES POTENTIAL BENEFIT IF IT CAN COOPERATE WITH IRAN TO TAP THE LARGER SOUTH ASIAN MARKET.

12. A CONTRASTING VIEW: THE PRO-MOSCOW COMMUNISTS STAND OUT AS THE ONE ORGANIZED ELEMENT IN INDIA WHICH OPPOSES THE DETENTE WITH IRAN. THEIR MEMBERS OF PARLIAMENT AND THEIR PRESS ORGANS WARN OF IRANIAN MILITARY STRENGTH AND POSSIBLE SUPPORT FOR PAKISTAN, OF IRANIAN DOMESTIC REPRESSION AND POTENTIAL INSTABILITY, AND OF IRANIAN ECONOMIC IMPERIALISM. ALL OF THIS SEEMS OUT OF LINE WITH WHAT WE UNDERSTAND TO BE THE STATE OF SOVIET-IRANIAN RELATIONS, BUT THEN THE PRO-MOSCOW COMMUNISTS ARE ALSO STILL THE LEADERS IN THE ANTI-AMERICAN CAMPAIGN IN INDIA.

13. US INTEREST: INDO-IRANIAN COOPERATION HAS BOTH GAINS AND LOSSES FOR US. WE LOSE TO THE EXTENT INDIA SOFT-PEDALS ITS OPPOSITION TO OPEC POLICIES IN EXCHANGE FOR IRANIAN ASSISTANCE. THE INDIAN INCLINATION TO DO SO IS REINFORCED BY INDIA'S GENERAL POLICY OF SUPPORT FOR THE ARABS (SEE NEW DELHI 13398) AND BY ITS INTEREST IN MAINTAINING ITS ROLE OF LEADERSHIP AMONG THE DEVELOPING COUNTRIES. WE GAIN, HOWEVER, IN THE FIELD OF REGIONAL STABILITY. IMPROVED INDO-IRANIAN RELATIONS HAVE BEEN A KEY ELEMENT IN THE GENERAL SOFTENING OF THE HARD LINES OF ALLIANCE BETWEEN THE PERSIAN GULF AREA AND THE SUBCONTINENT. BEFORE, INDIA, IRAQ AND AFGHANISTAN APPEARED ONE ONE SIDE, SUPPORTED BY THE SOVIET UNION. ON THE OTHER WERE IRAN AND PAKISTAN, SEEN AS BACKED BY THE US. NOW INDIA HAS A SEPARATE RELATIONSHIP WITH IRAN, AS IRAN DOES WITH

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AFGHANISTAN, WHICH CONSIDERABLY BLURS THE PICTURE, INTRODUCES NEW POSSIBILITIES FOR COMPROMISE AND MEDIATION, AND REDUCES THE PROSPECT FOR RAPID ESCALATION SHOULD HOSTILITIES BREAK OUT.

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